

July 14, 2003

Honorable Duncan Hunter, Chairman
Committee on Armed Services
United States House of Representatives
2265 Rayburn House Office Building
Washington, DC 20515-0001

Dear Mr. Chairman:

Pursuant to The Army's previous notifications of intent to solicit (July 23, 2001) and intent to award (May 24, 2002), I am pleased to forward the Community Development and Management Plan (CDMP) Executive Summary for Fort Campbell, Kentucky. The Army will take no action to implement the CDMP, before Congress has completed its 45-day review.

I will be pleased to provide you with any additional information you may need.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. A. Armbruster', is positioned above the printed name.

William A. Armbruster
Deputy Assistant Secretary of the Army
Privatization and Partnerships

Enclosure

cc: Honorable Ike Skelton, Ranking Member

MILITARY HOUSING PRIVATIZATION INITIATIVE PROJECT SUMMARY

INSTALLATION: Fort Campbell, Kentucky

SCOPE:

This initiative will privatize the on-post family housing operations and management at Fort Campbell. The project will be consummated through a real estate transaction between The Army and its development partner, previously selected under a Request for Qualification (RFQ) procurement process. The partner will serve as the developer and manager of the Fort Campbell residential community. The partner will design and construct a residential community that will provide soldiers access to quality, affordable family housing.

The Army will convey 4,240 existing housing units, out-lease the underlying land, and make a direct investment of \$60.1 million to its partner. In turn, the partner will obtain commercial first mortgage financing in the amount of approximately \$145.0 million, commit approximately \$6.0 million in equity to the project, and eliminate inadequate housing by calendar year 2011.

The initial development plan of the project includes: (1) the demolition/removal from the inventory of approximately 1,326 existing homes, and (2) the construction of approximately 1,351 new homes. The remaining inventory will be maintained and renovated to adhere to modern construction standards. In the case of three existing historic homes, they will be maintained/renovated in accordance with State Historic Preservation Office standards. In addition, there is an ongoing Military Construction project that will build 120 homes and demolish 130. Accordingly, the ending inventory for the Fort Campbell residential community will be 4,255 new, remodeled and/or maintained homes. The Fort Campbell partner will also construct five new community centers and create modern neighborhood amenities such as ball fields, landscaping, jogging and bike paths, and new and regenerated parks.

The Army will pay the Basic Allowance for Housing (BAH) to soldiers, who in turn will pay rent and utilities for the privatized housing. Rents will be equal to BAH minus a utility allowance for the soldier to pay utility bills.

AUTHORIZATION:

10 U.S.C. -- Section 2875 -- Investments. The Army will make a direct investment of \$60.1 million in a limited liability corporation for purposes of constructing, renovating, operating, and managing family housing.

10 U.S.C.-- Section 2878 -- Conveyance or lease of existing property and facilities. Facilities and infrastructure will be conveyed, and underlying land out-leased to the partner as part of this project.

10 U.S.C. -- Section 2880 -- Unit size and type. Housing will be renovated and constructed to community standards.

10 U.S.C. -- Section 2881 -- Ancillary support facilities. This project includes the transfer of ancillary supporting facilities as well as the construction of new ancillary facilities such as tot lots, playgrounds, etc.

JUSTIFICATION:

Privatization authorities allow The Army to leverage scarce funds and the value of installation assets to obtain private sector capital and expertise to manage, improve and construct on-post family housing in the U.S. at a life cycle cost less than using traditional appropriated funds and methods. These authorities will allow The Army and its partner to provide quality family housing and residential communities that are sustainable over time.

SOURCE OF FUNDS:

The Army will provide \$60.1 million from the Department of Defense Family Housing Improvement Fund (FHIF). The Army previously transferred \$7.9 million from the fiscal year (FY) 1998 Army Family Housing Construction (AFHC) appropriation into the FHIF. The Army intends to transfer an additional \$52.2 million from the FY 2002 AFHC appropriation into the FHIF.